

cious resolution avoided the disposal of investments by the public at wasteful prices which otherwise, under the stress of panic, would have resulted—every fall in value impelling and intensifying a deeper decline: it prevented the ruin of numberless holders by compelling retention of their securities; and thus, after the primary shock had passed, enabled men to gain a steadier composure and act under the dictates of reason and common sense. The trepidation of the event was infinitely lighter than the grave misfortune of the Exchange being forcibly closed by practical ruin through frenzied sales. The pressure in the Money Market was undoubtedly augmented by the decision; the public demanded cash at the joint-stock banks; and the banks, in consequence, called in advances from the discount houses, which, in turn, applied to the Bank of England for the discount of bills. Bills at first were purchased by the Bank on a basis of six per cent; but with the accession of enlarged competition the actual rate of discount was advanced to 10 per cent. The Bank of England, on the same afternoon, decided to raise its official minimum charge to eight per cent; and merchants who conducted business upon borrowed capital were thus seriously burdened in obtaining loans. It has been urged—and with justice—that this sudden movement from four to eight per cent in one day—with its grave consequences in enhancing public nervousness—and then the increase at such a moment to 10 per cent was ineffectual for the purposes which an advance in the bank rate is intended to subserve. But the rumour which gained credence in the City entirely absolved the Bank of England from blame. That rumour asserted that when it seemed probable that a suspension of the Bank Act might become necessary, the Bank inquired of the Treasury whether that august body would be prepared to grant the customary letter of indemnity that the Bank should be held blameless by Parliament for its violation of Law in issuing bank notes against securities beyond the statutory amount prescribed

by the Charter. The Bank, it was stated, was officially advised that a suspension of the Act had never occurred until the bank rate stood at 10 per cent. And hence the